

9. CYCLE HIRE PROGRESS REPORT (HB)

1. Purpose of the report

This report informs members of:

- The progress made in the first quarter of 2015/16 building on improvements in the financial results in 2014/15
- An update on the key actions to continue to take the business forward and protect the margins gained so far this year.
- How the Cycle Manager is building the foundation for future years of a viable business that aligns with the emerging corporate strategy and our medium Term Financial Plan.

2. Recommendations

- 1. Members support the Cycle Action Plan 2015/16**
- 2. Cycle Hire will continue to be monitored via quarterly budget and performance management meetings.**

3. How does this contribute to our policies and legal obligations?

In our emerging Corporate Strategy the Cycle Hire business directly contributes to:

- Directional Shift S1: Develop strong commercial and fundraising programme of activities.
- Directional Shift S3: Create visitor experiences that inspire and grow our income and supporters. Develop products and services to nurture the Peak District as the National Park for cycling and enhance and maximise the visitor experience at our assets.
- PDNPA Cycle Hire helps to achieve priority actions for the Recreation Strategy Action Plan for 2015–16 under all three interrelating themes: Healthy Lifestyles, Widening Participation and Less Impact. PDNPA Cycle Hire also helps to deliver the Wider Peak District Cycle Strategy Action Plan. In particular: Encouraging good cycling behaviour and etiquette through education and promotion and encouraging diverse experiences

4. Background

The Peak District National Park Authorities Cycle Hire aims to provide an affordable opportunity to experience the special qualities of the National Park through cycling. Cycle Hire is a service and is something that is offered as a recreational opportunity

to as wide an audience as possible including people with disabilities and those from other underrepresented groups. The service is provided in areas which have extensive 'traffic-free' routes offering a safe environment to either learn or rediscover cycling skills. In doing this, the role has widened and expanded in line with developing National Park policies towards the encouragement of cycling both as a means of recreation; part of a healthy lifestyle, and as a legitimate alternative means of transport. The service is provided under our second statutory purpose and helps us to:

- To promote opportunities for the understanding and enjoyment of the special qualities of national parks by the public.

This report gives the details of the progress that has been made and an update on the success during the winter season 2014/15. The progress detailed in the action plan in Appendix 1 will ensure success for the 2015/16 season with the objective being to achieve the current financial budget for the service and work towards the full cost recovery target.

5. Proposals

It is proposed that the Action Plan for the Cycle Hire business continues to be developed and implemented as detailed in Appendix 1. Helen Bower was appointed to the Cycle Hire Manager position in September 2014 and she has already made good progress as can be seen detailed in this report, particularly the financial section 6, and the Action Plan Appendix 1.

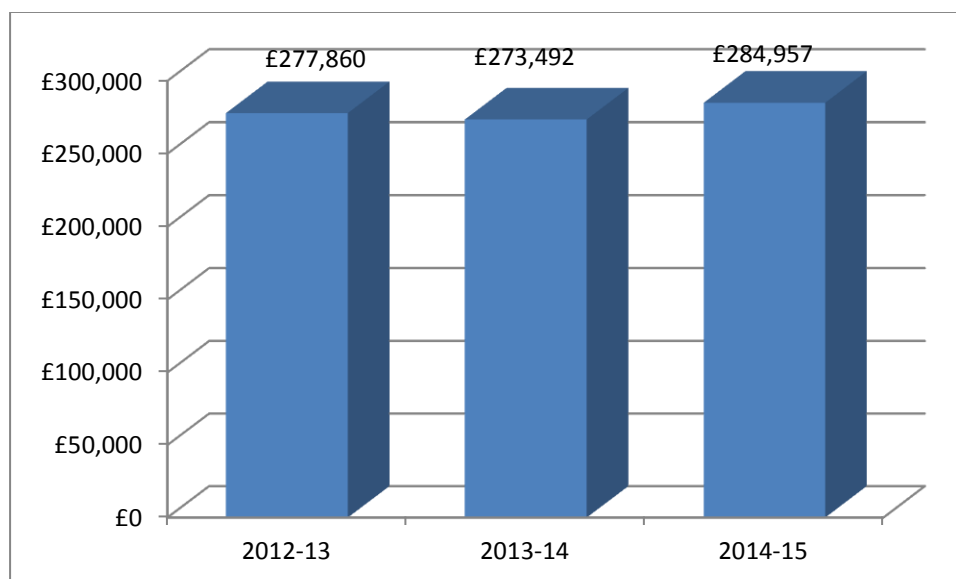
6. Financial:

6.1 The Cycle Hire Action Plan 2014/15 has resulted in a marked financial improvement for the service as can be seen in the table 1 below.

	2013/14	2014/15
	£	£
Income	(273,000)	(284,957)
Pay	211,000	195,720
Non Pay	91,000	77,050
Net Cost	29,000	(12,187)
Budget	(24,000)	(22,863)
Variance deficit (surplus)	53, 000	10,676

Table 1. Financial figures for the service 2013/14 and 2014/15.

- Cycle hire has taken more income than the previous 2 seasons, reversing the recent trend.



Graph 1. Income over the last three seasons.

- Hires, and therefore people enjoying the park, are up by 2%
- Cycle Hire made a net income of £12,187 in 2014/15 in its direct costs, a significant improvement from the deficit in 2013/14 but still short of the budgeted target by £10,676.

6.2 2015/16 Progress and trend analysis.

	April - June 2014	April - June 2015
	£	£
Income	(97,457)	(98,821)
Pay	55,390	40,321
Non Pay	25,808	14,042
Net Cost	(16,258)	(44,457)

Table 2. Financial figures for the service for the first three months of the year comparing 2014/15 with 2015/16.

As part of the strong monitoring and evaluation plan the Cycle Hire Business will report to the quarterly performance meetings. A key indicator has been developed for the service as part of the emerging Corporate Strategy S1b which is to exceed 87%

of full cost recovery for 2015/16 and this is monitored on a quarterly basis (the current 15/16 budget requires 92% of full cost recovery). Full cost recovery includes the corporate support costs of £60k which have been allocated in accordance with the costs driving that support. For example ICT costs for phones, network support and connectivity; HR costs of employing staff; Finance costs for invoices, cash receipts, payroll; property support costs of operating from Authority buildings. Cycle hire will achieve the target budget of £29k through the completion of the actions in appendix 1.

The progress of the actions detailed in Appendix 1 will ensure cycle hire continues to generate increased income and there are strong foundations to ensure a successful 2015/16 season and beyond.

A key factor for members to note is the creation of a flexible and responsive service to visitors and to the changing weather, seasons and holiday periods.

6.3 Cost efficiency and savings

Staff

Vacancy savings across the service have been effectively managed with the proactive use of casual staff. Casual staff have also been used for visitor holiday periods and when staff are on leave. Leave is managed to ensure that we have experienced staff on duty at essential times. The overall full time permanent staff has been reduced to fit the business profile. For example:-

- The staff costs for the winter season have been reduced and made flexible around holidays and weather. Derwent Cycle Hire has previously had 2 seasonal assistants and one full time Supervisor. It now operates with one full time supervisor in season and 2 days out of season. This gives an estimated saving of £3124 per annum. One contracted seasonal assistant is employed. Casual staff are utilised as and when necessary, especially during the school holidays.
- Ashbourne Cycle Hire has reduced its use of casual hours considerably, using contracted staff in a more flexible way. The Ashbourne Supervisor is contracted full time all year and will be selling, maintaining, and building up bicycles for Ashbourne and Parsley Hay cycle hire centres for 14 weeks over winter. Ashbourne cycle hire will remain open.
- The Cycle Hire Manager has worked to support the supervisor vacancy at Parsley Hay whilst recruitment takes place rather than appoint an interim supervisor. The Parsley Hay Centre will close out of season for 14 weeks on a trial basis with no staff contracted out of season. This will be reviewed following the 2015/16 season.
- All centres winter opening times will be publicised by Mid October 2015.
- Changes to contracts and a reduction in the overall number of contracted hours have enabled a far more flexible approach; casual staff usage is always weather dependant.

Staff costs for 2014/15 April-July were £73,432 and for 2015/16 April-July were £53,297. This is one of the busiest periods for the service but the reduction in staff costs has still been effective and this is continually reviewed. By reducing the % turnover to payroll from 50% to 38% means that the Cycle Hire is a much more viable business.

Bikes

Utilising the bike fleet for a second season at Parsley Hay has been trialled. The cost of maintaining these for a second year and replacing wearable parts before they are sold as ex hire bikes has out weighted the cost of replacing the fleet yearly. This has been successful due to the revenue raised in hiring the bicycles out for a second year and sourcing competitive trade prices for purchasing replacement parts in bulk. Following the success of the Parsley Hay trial the current bicycle fleet at Ashbourne and Derwent will be fully serviced through the winter and summer months and re-used for a second season during 2016/17. Key to the success of the business plan is looking at all opportunities to ensure our assets give us maximum performance and income. Cycle hire will achieve the £29k budgeted target for 2015/16 through the completion of the actions in appendix 1.

A tender for the provision of a bicycle fleet and supplier for new bikes to retail at Parsley Hay for 2016/17 is being procured. The contract award is expected to be issued to the selected tenderer by 9th October 2015.

6.4 2016/17 Season

All future plans to ensure the cycle hire business continues to thrive are outlined in Appendix 1.

Examples of new initiatives that enable the business to thrive include:

- Extension of the range of services offered and increased capacity to deliver cycle maintenance and servicing by providing a bespoke service for people who own their bikes. In addition we will be able to offer more cycle maintenance classes which reached viable occupancy levels this season. To support servicing income we plan to issue promotional vouchers with all ex hire and new bikes sold. To facilitate this new offer 5 contracted members of staff will be attending Cytech level 2 cycle maintenance training during the winter 2015/16. The estimated increased income for 2016/17 will be £10,000. The project will be reviewed and amended to make additional income for the following years.
- The Cycle Hire Manager has lead on marketing with support from the marketing and communications team when needed. In order to achieve an effective marketing programme for 2016/17 the Cycle Hire Manager will be preparing a marketing and communication plan and an annual promotional marketing calendar for the 2016/17 season. This will be a priority action for the 2016/17 season to increase the number of cycle hires now that several efficiency measures are in place.

- The development of a social media campaign this year has been a real success with Twitter followers increased by 446. (May 2014 –1,071, Sept 2015 –1,517) Regular and effective tweets are posted.
- Links with the proposed new development projects (being presented at ARP at the same time as this report) at Parsley Hay and Millers Dale will also increase the Cycle Hire business and income generation for the authority if and when they are developed.

7. Risk Management:

As with all trading operations there is an inherent element of risk. These risks will be managed by the cycle hire business plan. Risk will continue to be mitigated with the tight control of payroll, effective marketing and communication and training of key staff to deliver new programmes. Performance and finance will be evaluated as part of the Quarterly reporting for the authority and action plans amended as appropriate.

Background papers

None

Appendices

The following document is appended to this report:

Appendix 1. Short, medium & long term action plan update for the cycle hire business.

Report Author, Job Title and Publication Date

Helen Bower Cycle Hire Manager and Mary Bagley Assistant Director, 10 September 2015